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WE CAN EXPAND THE OVERSEAS MARKET FOR U.S. PEANUTS

Remarks of Raymond A. Ioanes, Administrator, Foreign Agricultural Service, U. S. Department of Agriculture, at the Georgia Peanut Progress Day, Tifton, Ga., July 14, 1966

One of the most important agricultural developments of recent years--maybe it's the most important--is the rapid increase in farm product exports. These shipments have given American agriculture new strength and vigor. They also have brought many benefits to other segments of the economy--and to the nation as a whole. Looking down the road, we can see further expansion of this overseas trade.

Let's review the overall figures.

U. S. exports this past fiscal year totaled \$6.7 billion--an all-time record. It looms large in view of the 1954-58 average of only \$3.8 billion.

For many farm products the export market is all-important. Exports account for over 50 percent of our output of wheat, milled rice, and soybeans; 40 percent of our tallow; and a fourth of our cotton, tobacco, raisins, grain sorghums, and flaxseed. Peanut exports have risen from 4 percent of production in 1960 to almost 10 percent last year--and they'll rise still more as we move ahead with our market development program.

All the signs point to total U. S. agricultural exports of about \$8.0 billion by 1970. And a figure of \$10.0 billion by 1980 could be reached if present trends continue. Among the factors that favor export increases are expanding populations and rising per capita incomes.

World population by 1980 is expected to approach 4.5 billion--some 1.5 billion above the present level of almost 3.0 billion. Per capita income growth is increasing at rates varying from 1.6 percent a year in North Africa to 6.4 percent in Japan.

But a favorable economic climate doesn't quite tell the story of export market expansion. The Department of Agriculture and cooperating trade groups are gaining maximum benefits from the favorable economic situation through vigorous overseas market promotion. USDA and some 45 agricultural and trade organizations are taking part in this positive market development effort, now carried on in over 70 countries.

Today I want to talk about overseas demand for peanuts--and what we are doing about it. I also will discuss some of the broader phases of the agricultural export program and its meaning to us.

Peanut Market Development

Export prospects for peanuts were enhanced by the market development program launched this past March by USDA, in cooperation with the National Peanut Council. It's a small program now. But it marks a forward step for the peanut industry. I know it will expand our overseas sales.

The Foreign Agricultural Service, representing the Department, is providing \$80,000 in foreign currencies. The National Peanut Council, as cooperator, is contributing \$20,000.

This is the way the peanut market development program was established: We started out with market research. Maybe "research" is too fancy a word. But whatever you call it, it involved finding answers to these and other questions:

Can our peanuts be sold overseas?

Which countries are the best markets for our products?

How can we push peanuts most effectively?

We began looking for answers in November 1963 when the Department and the U.S. peanut industry took part in the Amsterdam Agricultural Exhibit--the largest food exhibition the United States has ever staged abroad.

The reaction to peanuts and products was gratifying. As one industry man reported, "If anybody had told me that you could attract thousands of people by handing out a cracker with a little peanut butter on it--and hold concentrated interest while young Dutch ladies talked about American peanuts --I wouldn't have believed it." The strong interest at Amsterdam convinced government and industry people that Europe was, indeed, a good market for U.S. peanuts.

The second research step involved a country-by-country trip of a 5-man survey team. This able group included Pat Cagle, of the Durham Peanut Company; Ed Gilliam, Pretlow Peanut Company; George Mechling, J. F. Garvey Company; Roy Parrish, Gold Kist Peanut Growers; and Howard Akers, Foreign Agricultural Service.

Some countries, the team found, were not "ready" for peanuts--American or otherwise. That was the case in France, Switzerland, and Italy. Few of their consumers are familiar with peanuts; and, what's more, they have little interest--at least at the moment--in learning about them. France, for example, uses less than 9 million pounds of/peanuts annually. For a nation of 49 million people, France's consumption works out at about 3 ounces per person per year. Our consumption of peanuts is over 5 pounds per person per year, shelled basis.

The situation in some other countries, however, was somewhat more encouraging. England, the Netherlands, and West Germany already were actively promoting and selling peanuts and products. However, the team found a considerable difference in prospects among products. Salted nuts had good acceptance; peanut butter didn't. George Mechling estimated that 95 percent of Europeans hadn't even tasted peanut butter. The American style butter shown in Europe was mainly for American consumption--and it was very expensive. In some countries, U.S. peanut butter was priced at the rate of \$1.55 a pound in the retail store.

The team also concluded that a market development program, to be effective, needed:

1. Enough peanuts, of U.S. Grade Number 1, to supply demand at a stable price--a price competitive with products made from peanuts obtainable in the world market.
2. Assurance of a continuous supply--not for just one marketing year or when supplies are heavy in the United States--but over a long-term period.

On the basis of the team's findings, plus other information, the market development program was established. Its main thrust, at least for the time being, will be in the United Kingdom, the Benelux countries (mainly the Netherlands), and West Germany. Later, the program may be extended to France, Italy, Switzerland, and other countries of Western Europe. Though these countries have scant interest in peanuts now, demand may increase when they are "exposed" to peanuts in countries where U.S. promotion will be active. With their dense populations and high purchasing power, all Western European countries are at least potentially good markets for U.S. peanuts and products.

Market development also will be carried on in Japan. Many inquiries have come to the Department from Japanese interests. The National Peanut Council will send a survey team to Japan before the end of the year to look into the situation, and make recommendations. I am hopeful. Japan, with its booming economy and well-established channels of trade with the United States, could well become a big outlet for our peanuts.

What are the chances for success?

Good, I would say.

The market access situation is favorable. Peanuts may be imported duty free into the Benelux countries and West Germany. They are subject to an import tax of 10 percent in the United Kingdom, and to an import duty of 15 percent in Japan--which is high, but not prohibitive.

U.S. peanuts already have a foothold in the Western European markets where our promotion efforts will be concentrated. Of the 60,000 tons consumed in those countries, the United States this year will probably furnish over 20,000 tons or about a third. Market development, of course, would increase total peanut use and, I sincerely believe, the U.S. share of that consumption. Our exports to Japan have been small up to now, but market development could alter that situation.

It's hard to realize, after seeing so much peanut acreage in Georgia, that we aren't dominant in the world picture. But our crop of 1.3 million tons last year was only 7 percent of world production. We produced less than India, Mainland China, or Nigeria. Several other countries--Senegal, Brazil, Argentina, Burma, and Indonesia--are big peanut growers.

I mention production in other countries because it means competition. It is true that most of the peanuts produced in Asia, Africa, and Latin America are crushed for oil and meal, whereas most of ours are for edible use. But there is some relationship between prices of crushing and edible peanuts.

All this puts the spotlight on prices and pricing policies. U.S. prices for edible peanuts on the U.S. market are supported well above world levels. What we sell for export comes mainly from stocks acquired by the Commodity Credit Corporation under the price support program. The CCC's export sales, at prices averaging in fiscal 1965 about 50 percent of acquisition cost, have enabled us to meet the competition of foreign producers.

The quality of U.S. peanuts compares very favorably with the product of other countries. A big part of our total output is of high quality. That enables us to carry high quality through to foreign buyers on a consistent and large-scale basis. But let's keep our standards high.

Other areas can--and do--market a good product by picking the best peanuts out of their total production.

Certainly we are taking vigorous steps to assure the wholesomeness of our peanuts. The crash program to wipe out aflatoxin and other mycotoxins is one of the real classics of successful government-industry cooperation. Our harvesting and storage practices already were such as to inhibit growth of aspergillus flavus--an organism that attacks peanuts in all the world's producing areas. Now we are seeking further improvement in our peanut handling methods. Furthermore, the peanut industry has joined with the government in a program to screen shipments of peanuts and products. All this means that foreign buyers can be confident that American peanuts are wholesome and clean, and that efforts to keep them so will not be relaxed.

Promotion Techniques

One of our Department specialists said recently, "If we could get each person in Europe and Japan to eat one salted peanut--just one--we'd soon have a big overseas market." He's probably right. Salted peanuts have a way of selling themselves. So does peanut butter, peanut candy, peanut cookies, and other peanut products.

But we are making headway with our sampling.

Thousands of British consumers who visited a recent food exhibit at Manchester, England, gave our shelled peanuts and peanut products an enthusiastic reception.

The U.S. representative reported, "On salted peanuts there was no end to the demand. We had to keep putting out new supplies."

As for peanut butter, he said, "There were hours when three attendants could not supply those reaching for a dab of peanut butter on a cracker."

A big part of our total market promotion effort will be this kind of sampling at local and international trade fairs, exhibits, seminars, trade, and educational meetings. We reach the trade as well as the general public through such contacts.

There'll be other promotion activity, such as nutrition education, in-store merchandising, advertising, and market research and analyses.

All in all it's a comprehensive program. It will, I am convinced, expand exports. In calendar year 1965 exports amounted to about 86,000 short tons, shelled basis. That was almost double the 44,000 tons we shipped in 1964. Obviously, we are on our way.

Export Benefits

I want to return, now to something I mentioned earlier--the benefits that are coming from the agricultural export program.

For farmers, the benefits of exports are immediately apparent. Exports bring additional income to the farming community. In fiscal year 1966, food and fiber shipments brought to American farmers--as I have noted--an income of \$6.7 billion. That was 17 percent of the approximately \$40.0 billion in cash receipts from farm marketings over the 12-month period.

Producers of Georgia crops other than peanuts also have a big stake in export markets. And things are looking up for them too.

Tobacco: Export prospects for tobacco are brighter in the coming months than in a long time. The export payment announced by the Department of Agriculture on June 10 will make American leaf more competitive in foreign markets than it has been heretofore. More than that, it will speed up export sales, which had slowed down somewhat in anticipation of the subsidy program. Sanctions now imposed on Rhodesian leaf by most nations certainly won't hurt our sales in markets where we had been competing. All in all, I look for tobacco exports in the 1966-67 year to be considerably larger

465 million pounds estimated for the previous year.

From a long-term standpoint, the strongest factor in U.S. tobacco's favor is its superior smoking characteristics. Other things being equal, foreign smokers prefer the high quality of U.S. leaf. As the economies of foreign countries continue to strengthen, their smokers can be expected to turn increasingly toward products, notably cigarettes, with high proportions of U.S. tobacco.

Cotton: Cotton exports in the year that begins August 1 could well be double the 3.0 million bales estimated for the current marketing season. Low stocks in most foreign countries, both importing and exporting, should mean increased demand for our fiber. And the new cotton legislation that goes into effect August 1 will allow us to price our cotton more realistically. Such pricing not only will help us meet the competition of foreign cotton growers but should also aid us in combatting the inroads of man-made fibers.

Helping us meet the competition of man-made fibers is the International Cotton Institute, organized by the United States and a number of other cotton-producing countries. Through the Institute, cotton promotion in Western Europe and Japan is financed by an assessment of one U.S. dollar for each bale of cotton shipped to those areas by member countries. International collaboration of this kind should produce results.

Poultry: The poultry outlook for 1966-67 is for increased world production and keener competition for U. S. producers. But I am optimistic about exports. Shipments in calendar year 1966 are running a little above 1965 levels--and I think that this gain will be maintained or even exceeded in the months ahead. The U. S. poultry industry continues to develop new products that appeal to new consumers in new markets. This versatility of the industry, plus its ability to market a high-quality product at a competitive price, has helped it bolster exports to countries outside the European Economic Community. I might add that the industry has even maintained and expanded shipments of some products, such as turkeys, and chicken and turkey parts, to the Community.

But let's look beyond U.S. agriculture to some of the other segments of our economy.

Our farm product shipments are providing work for American labor. They increase employment all the way along the line--from the farm through processing, storage, and transportation stages.

Our shipments mean expanded business for the many enterprises connected directly or indirectly with agriculture. These include businesses interested in farm machinery, fertilizer, bags and packages, milling, warehousing, transporting, financing, exporting, and others.

Exports are giving us, as a nation, some extremely valuable "pluses." American rice, for example, is helping us fight aggression in South Vietnam. Rice, in Vietnam, is as much a munition as rifles, mortars, cartridges, and bombs. When our side confiscates rice stored by the enemy, we weaken him. When we supplement the rice supplies of the South Vietnamese, we strengthen them against the enemy.

An often overlooked benefit of our agricultural trade is the balance of payments help we are getting. Our exports, primarily cash exports, are bringing back many of the dollars that have left the country through U. S. overseas investment, foreign aid, tourism, and services. The aggregate contribution of agriculture to the U. S. balance of payments since 1960 consists of \$23.6 billion in cash sales, plus \$1.4 billion in "avoided dollar outlays" under special features of our Public Law 480 program. It all adds up to \$25.0 billion--and that's a lot of money.

In the field of foreign policy, however, we probably are gaining the largest benefits of all.

American agriculture is pre-eminent in the world. No other country can even approach our capacity to produce food. That's especially true of the Communist countries, which keep turning to the Free World for supplementary supplies. The uncommitted countries of the world, largely agricultural, must be making comparisons. They must be noting that our free family farm system is the system of abundance, as contrasted with Communist regimented farming and its inevitable scarcities.

Our food producing ability, in the world where population is increasing by some 80 million persons annually, gives us a unique status--and a unique responsibility. In the past 12 years the United States has shipped \$14.6 billion worth of farm products to needy people under the Public Law 480--Food for Peace program. The new Food for Freedom program proposed by President Johnson would continue food aid--that's inevitable, I think--but would emphasize the need for less developed countries to do more to help themselves. They must do more. Even America's great capacity to produce cannot fill the world food gap indefinitely. The Food for Freedom program also proposes to

get us away from the "surplus" concept. The objective now is to tailor production more closely to needs, including foreign food aid, rather than producing first and looking for outlets second.

In conclusion, let me voice a thought that keeps coming back to me: American agriculture is powerful, prestigious. It is a force for good--at home and abroad. It is a force which, I predict, will more and more affect the course of world events. Those of us who work in agriculture can rejoice in the opportunity to participate in this great agricultural effort. We have the most important--and the most exciting--occupation in the world today.

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